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FRAME ECONOMIC

FROM UKREP BRUSSELS

FOREIGN AFFAIRS COUNCIL, 18 JUNE 1990
PREPARATION FOR EUROPEAN COUNCIL: EMU

SUMMARY

1. PRESIDENCY TO AMEND THE PAPER ON EMU FOR THE EUROPEAN COUNCIL TO TAKE ACCOUNT OF COMMENTS. YOU MADE CLEAR THE NEED TO COVER OUR RESERVATION ON THE CONCLUSIONS OF THE ASHFORD CASTLE MEETING. DELORS SUPPORTED BY DUMAS WAS PROVOKED INTO A LENGTHY DIATRIBE ABOUT THE IMPOSSIBILITY OF FURTHER PROGRESS BY THE ECOFIN COUNCIL.

DETAIL

2. VAN DEN BROEK (NETHERLANDS) SAID HE WAS UNHAPPY WITH THE REFERENCE IN PARA. 4 TO 'WIDESPREAD AGREEMENT ON THE OVERALL DESIGN OF A SYSTEM'. HE DID NOT AGREE WITH THE FIRST SENTENCE OF PARA. 5. MONETARY POLICY SHOULD BE GEARED TOWARDS PRICE STABILITY, WITHOUT FURTHER QUALIFICATION. THE SENTENCE SHOULD READ '... A SINGLE MONETARY POLICY GEARED TOWARDS PRICE STABILITY. SUBJECT TO THE FOREGOING, MONETARY POLICY SHOULD ACT IN SUPPORT OF GENERAL ECONOMIC POLICY.' A REFERENCE TO SUBSIDIARITY SHOULD BE INCLUDED IN PARAGRAPH 7 AND IN PARAGRAPH 6 IT SHOULD BE MADE CLEAR THAT ALL BAILING OUT, NOT JUST AUTOMATIC BAILING OUT, SHOULD BE PROSCRIBED.

3. PINHEIRO (PORTUGAL) THOUGHT PRICE STABILITY WAS A MEANS TO ECONOMIC AND SOCIAL PROGRESS, NOT AN END IN ITSELF. THERE SHOULD BE REFERENCES TO THE EQUITY PRINCIPLE, TO THE NEED FOR THE TWELVE TO PROGRESS TOGETHER AND GREATER EMPHASIS ON THE ROLE OF THE EUROPEAN COUNCIL. SAMARAS (GREECE) WANTED THE REPORT TO INCLUDE REFERENCES TO PARALLELISM, SUBSIDIARITY AND DIFFERENTIATION. A TWO-SPEED EUROPE WOULD BE A SETBACK. EMU WOULD NOT BE VIABLE WITHOUT CONVERGENCE, WHICH REQUIRED STRONGER COORDINATION AND COHESION AND A LARGER COMMUNITY BUDGET. THE FOREIGN AFFAIRS COUNCIL SHOULD HAVE A STRONGER

COORDINATING ROLE ON THIS SUBJECT AND RESPONSIBILITY FOR THE ISSUE OF DEMOCRATIC CONTROL OF THE ECSB.

4. YOU SAID THE PRESIDENCY PAPER WAS A USEFUL STOCKTAKING. YOU AGREED WITH VAN DEN BROEK ON THE NEED FOR THE PAPER TO ACKNOWLEDGE OUR RESERVATION AT ASHFORD CASTLE. PARA. 5 SHOULD REFER TO MOST MINISTERS BEING BROADLY AGREED. YOU ALSO THOUGHT IT WOULD BE USEFUL TO INCLUDE A REFERENCE TO SUBSIDIARITY. FERNANDEZ ORDONEZ (SPAIN) SAID THERE HAD BEEN MORE PROGRESS ON THE MONETARY THAN THE ECONOMIC SIDE. MORE WORK WAS NEEDED ON STRUCTURAL POLICIES AND COHESION. HE AGREED WITH PINHEIRO THAT PRICE STABILITY WAS A MEANS NOT AN END. THE FAC SHOULD DEAL WITH THE CONTROL OF THE CENTRAL BANK. DIFFERENT RATES OF PROGRESS AND DIFFERENT TRANSITIONAL PERIODS, AS IN THE CASE OF THE EMS, SHOULD NOT BE RULED OUT. MRS ADAM-SCHWAETZER (FRG) SAID THE PAPER PROVIDED A BASIS ON WHICH AGREEMENT COULD BE REACHED ABOUT THE SETTING UP OF THE IGC AT THE ROME EUROPEAN COUNCIL. BUT MUCH TECHNICAL WORK WOULD BE NEEDED IN 1991 IF RATIFICATION AT THE END OF 1992 WAS TO BE ACHIEVED. THERE SHOULD BE MORE PREPARATORY WORK IN THE RUN UP TO THE ROME EUROPEAN COUNCIL BY A SEPARATE BODY FROM THAT CONSIDERING THE POLITICAL UNION IGC.

5. DELORS (COMMISSION) DISAGREED WITH REFERENCES TO A TWO-SPEED EUROPE. THERE WAS A DANGER OF CONFUSING TWO CONCEPTS. IT WAS POSSIBLE THAT SOME MEMBER STATES WOULD REFUSE PARTICIPATION IN A COMMON POLICY IN WHICH CASE THERE WOULD BE VARIABLE GEOMETRY BUT HE COULD NOT ACCEPT THE PERJORATIVE CONNOTATIONS OF TWO-SPEED EUROPE. POEHL'S REMARKS HAD BEEN PROVOCATIVE. ALTERNATIVELY SOME MEMBER STATES MIGHT NEED TRANSITIONAL PERIODS: THIS WAS A WELL-TESTED DEVICE, WHICH DID NOT IMPLY A TWO-SPEED EUROPE EITHER. HE ALSO TOOK ISSUE WITH THOSE WHO SAID THAT PREPARATION HAD NOT BEEN FULL AND ADEQUATE. THERE WAS NO FURTHER SCOPE FOR PROGRESS BY FOREIGN MINISTERS. THERE WERE SIX ISSUES WHICH NEEDED TO BE DISCUSSED BY THE IGC:

(A) SHOULD THERE BE A SINGLE MONETARY POLICY? ONE MEMBER STATE WAS HESITATING.

(B) WHAT SHOULD BE DONE ON THE ECONOMIC SIDE? THIS COULD ONLY BE DECIDED IN THE IGC.

(C) HOW SHOULD ECONOMIC AND SOCIAL COHESION BE DEALT WITH? THE COMMUNITY WOULD BE REVIEWING ITS POLICIES ON COHESION IN 1992.

(D) HOW SHOULD DEMOCRATIC ACCOUNTABILITY BE ASSURED? THIS WAS NOT A TECHNICAL MATTER.

(E) SHOULD THERE BE A SECOND STAGE? THIS WAS A POLITICALLY EXPLOSIVE ISSUE AND THERE WAS NO POINT IN DISCUSSING IT IN ADVANCE OF THE IGC.

(F) THE ROLE OF THE ECU? THIS WAS DIVISIVE AND HE AGAIN SAW NO

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PROSPECT OF PROGRESS OUTSIDE THE IGC.
FOR THESE REASONS HE FAVOURED DELETING PARA. 8 OF THE PAPER
REFERRING TO FURTHER DISCUSSION WITH A VIEW TO FULL AND ADEQUATE
PREPARATION.

6. DUMAS (FRANCE) ALSO THOUGHT PARA. 8 OF THE PAPER SHOULD BE
DROPPED. THERE WAS NO MORE FOR ECOFIN TO DO. HE THOUGHT THE PAPER
MADE TOO CLEAR A DISTINCTION BETWEEN THE MONETARY AND ECONOMIC
SECTIONS: THE TWO SUBJECTS SHOULD BE LINKED. IT ALSO SAID TOO LITTLE
ABOUT THE INSTITUTIONAL ASPECTS. IT WOULD BE FOR FOREIGN MINISTERS
TO PICK UP THESE ISSUES AND EXAMINE THE LINKS BETWEEN THEM AND THE
POLITICAL UNION IGC. VAN DEN BROEK SAID HE WOULD WANT TO RETAIN
PARAGRAPH 8 AND REPEATED HIS PROPOSED AMENDMENT TO PARAGRAPH 5.
COLLINS SAID THE PRESIDENCY WOULD CONSIDER ALL THE COMMENTS MADE AND
WOULD REVISE THE PAPER FOR THE EUROPEAN COUNCIL. HE NOTED IN
PARTICULAR THE NEED FOR FOREIGN MINISTERS TO PROVIDE A LINK BETWEEN
THE TWO IGCS.

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ADDITIONAL 1

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